



CALIFORNIA Economic Indicators

July-August 2011

Recovery Slows in Mid-2011

An already weak recovery appeared to slow in response to a variety of hopefully transitory factors.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Recent California economic indicators have been consistent with a gradual recovery that may have hit a temporary soft patch. After adding over 100,000 jobs in the first two months of the year, the state gained only 7,700 jobs during the four months ending in June. There was no clear explanation for the weakness, although by mid-year the national economic recovery appeared to stall from factors like tornadoes and floods, high gasoline prices, and manufacturing supply chain disruptions caused by the earthquake and tsunami in Japan.

EMPLOYMENT

An about-face for jobs in June

The employment report for June was the opposite of May's. The state gained nonfarm jobs but the unemployment rate inched up a tenth of a percent. In May, California lost jobs but the unemployment rate improved.

California [gained 28,800 nonfarm jobs in June](#), which more than recouped the 21,100 jobs lost in May. The gains were broad-based; seven of the 11 major industry sectors gained jobs, two had no change, and two lost jobs. The best news was renewed gains in professional and business services, which added 16,400 jobs after three consecutive monthly losses. Growth in this sector is notable because in addition to temporary help services it includes a variety of high value-added (high-wage) industries such as scientific research, computer systems design, consulting services, and legal, accounting and architectural services.

Elsewhere, educational and health services added 9,400 jobs; leisure and hospitality, 4,900; manufacturing, 4,900; information, 3,000; other services, 1,300; and financial activities, 1,000. The state lost 11,000 jobs in trade, transportation, and utilities and 1,100 in construction. There was no change in employment in mining and logging and government.

On a year-over-year basis, nonfarm payroll employment rose by 157,000 (1.1 percent) from June 2010 to June 2011. Eight of the state's major industry sectors gained jobs and three lost jobs. The gains were led by professional and business services with 66,400 additional jobs—a 3.2-percent increase. Educational and health services followed with a 50,500 gain. In other industries, employment rose 34,900 in leisure and hospitality; 27,900 in information; 18,200 in trade, transportation, and utilities; 16,700 in manufacturing; 7,800 in construction; and 100 in mining and logging.

INSIDE

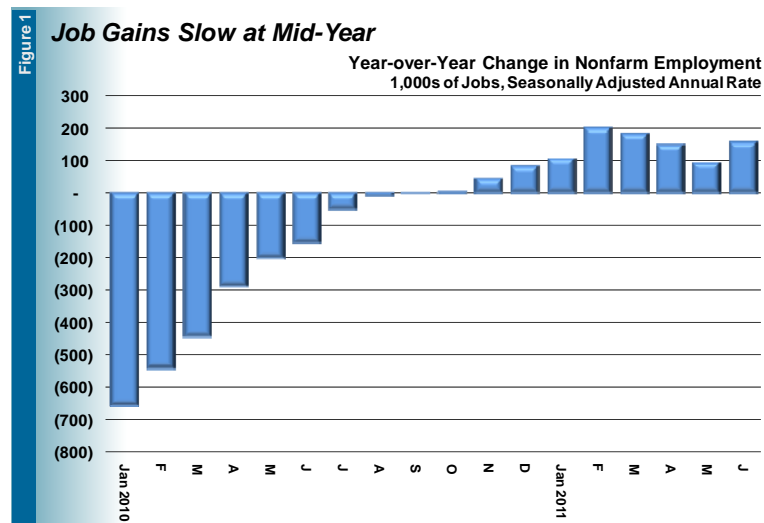
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2011 started off with commendable employment gains that weakened notably by the middle of the year.

The gains in the information sector reflect strong hiring in the Silicon Valley as well as multiple successful initial public stock offerings. The metropolitan areas that encompass the Silicon Valley experienced the fastest year-over-year job growth of all California MSAs.

Over the year, employment fell by 61,600 in government; 3,800 in other services; and 100 in financial activities.

A setback for the unemployment rate

California's unemployment rate rose 0.1 percentage point to 11.8 percent in June—the first uptick since September 2010. In June, household employment fell 37,000, while the number unemployed rose 17,900. The unemployment rate has trended down since the end of 2010, accompanied by a general deterioration in the labor force. California's Labor Force Participation Rate in June (63.1 percent) was the lowest since February 1977.

BUILDING ACTIVITY

Home building weighted toward multi-family

Home building activity continued to fluctuate within a relatively narrow range around a very low level. June was the fifth consecutive month of alternating advances and retreats in permitting activity. Residential permits were issued at a seasonally adjusted annual rate of 49,213 units, up 7.6 percent from a year earlier. Single-family permits were down 24.5 percent, while multi-family permitting was up 44.1 percent.

The trend in new home construction during the first six months of 2011 decisively favored multi-family units over single-family. Multi-family construction accounted for more than half of total new home permitting; historically, it typically accounts for less than a third. Multi-family permitting was up nearly 40 percent during the first half of 2011 from the same months of 2010, while single-family permitting was down 17 percent.

Business construction rebounds somewhat

Nonresidential construction showed a little more life during the first six months of 2011 than the residential sector. In May, the value of nonresidential construction permits issued jumped to its strongest pace since December 2009. It moderated in June, but was still up nearly 10 percent from a year earlier. For the first half of 2011 as a whole, nonresidential permitting was up 12.8 percent from the same months of 2010—more than double the improvement in the residential sector.

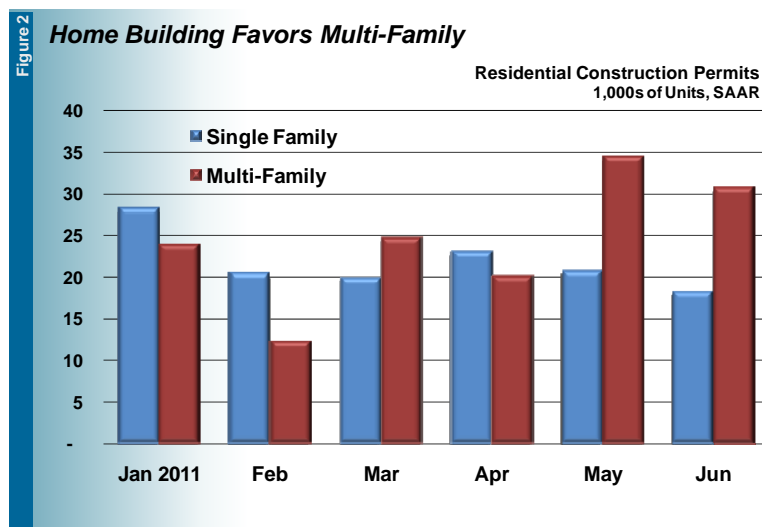
REAL ESTATE

Real estate markets still soft

In June, existing home markets recouped some of the ground lost in May but remained disappointing. Sales of existing, single-family detached homes accelerated to 477,700 units at a seasonally adjusted annualized rate. This pace was still down 3.6 percent from twelve months earlier, however. The median price of existing, single-family homes sold in June rose to \$295,300, but was still down 5.9 percent from a year earlier.

The existing home inventory situation improved in June. The unsold inventory index slipped down to 5 months from 5.5 months in May. The median number of days needed to sell a home dropped to 50.3 days—1.5 days better than in May.

(Source: [California Association of Realtors](#))



Accelerating multi-family construction more than compensated for slowing single-family building during the first half of 2011.

■ HOW DOES CALIFORNIA STACK UP?

California has received a fair share of negative attention of late, principally focused on its state and local government fiscal troubles and on its languid housing markets. While these are significant problems, they actually obscure a number of noteworthy strengths of the California economy.

Due to the nature of the financial crisis that struck the nation, California was disproportionately affected. During the housing boom that preceded the financial collapse, the state was over-reliant on home building and related activities. Thus, when the bottom fell out, California suffered more severely than most other states and the nation as a whole. The state's economic recovery has been tepid, mainly because real estate and housing markets remain weak due to an overhang of residential properties on the market. These troubles have been compounded by fiscal problems that led the public sector to be a source of weakness when it is typically a source of stability.

These issues, though, mask the fact that in most other respects the California economy is basically sound and prosperous. Its private sector has, in fact, outpaced most of the states with which it is often compared. It is outgrowing all but the fastest growing national economies as well.

JOB CREATION IN CALIFORNIA OUTPACED THE NATION

Since sustained job growth resumed in October 2010, California employment growth has outstripped the nation as a whole. From September 2010 to June 2011, California nonfarm employment grew 1.6 percent while national employment grew just 0.9 percent. California gained 221,000 nonfarm jobs, which accounted for nearly 20 percent of the nation's gains (California accounts for about 11 percent of the nation's total employment).

Furthermore, California outpaced national employment gains in some of the state's highest-paying industries considered to be California specialties. Information industry employment grew 5.4 percent in California compared to a decline of 0.6 percent nationally from September 2010 to June 2011. The Information sector encompasses many of the highest paying and fastest growing high technology industries including software publishing, internet publishing, motion picture and sound recording industries, traditional and internet broadcasting, telecommunications, internet service providers and web search portals, and data processing industries.

CALIFORNIA GREW FASTER THAN MOST DEVELOPED COUNTRIES

California's economy has generally outgrown the world's largest developed economies and it is projected to do so in the near future. As measured by real Gross Domestic Product (GDP) in the years leading up to the Great Recession, California's economy grew faster than that of the largest industrial nations, including the U.S. Among developed countries, during the Great Recession and its aftermath (2007-2010) California GDP growth was outpaced only by Canada and Australia. The state's economic growth was and is forecast to be outpaced only by developing economies such as China, India, the Russian Federation, and the Republic of Korea, according to the United Nations' World Economic Situation and Prospects 2011. California is projected to again outperform the major developed economies during 2011 and 2012, with the exception of the U.S. and Australia.

Figure 3

Real GDP Growth			
California and Selected Countries			
Average Annual Percentage Change			
	Before Recession 2002-2006	Recession & Aftermath 2007-2010	Forecast 2011-2012
California	3.5%	0.6%	2.9%
Developed Economies			
United States	2.7%	0.5%	2.9%
Canada	2.7%	0.8%	2.8%
Japan	1.7%	-0.3%	1.3%
Australia	3.3%	2.9%	3.4%
France	1.7%	0.4%	1.3%
Germany	1.0%	0.6%	2.3%
Italy	0.9%	-0.9%	1.2%
Spain	3.3%	0.0%	0.7%
United Kingdom	2.6%	-0.2%	2.4%
Developing Economies			
Russian Federation	6.8%	2.4%	3.8%
Brazil	3.3%	4.7%	4.9%
China	10.2%	10.5%	9.0%
India	7.7%	8.0%	8.3%
Republic of Korea	4.7%	3.5%	4.6%
Mexico	2.7%	0.8%	3.5%

* Sources: California, DOF
U.S., IHS Global Insight
Other Countries, United Nations' World Economic Situation and Prospects 2011

CALIFORNIA GREW FASTER THAN MOST OTHER STATES

California is often compared to a variety of states to which it is believed to be losing population and businesses. However, except as a consequence of the 2001 Recession and the residential construction slowdown that preceded the recession, California economic growth, as measured by real GDP, generally outperformed these states. During the recession, California's growth slowed more sharply than some of these states but also much less severely than others. Looking at the recession and its aftermath (2007-2010), California's real GDP grew somewhat faster than these states on average.

However, according to recent projections, it is anticipated that California will underperform most of these states during 2011 and 2012. Since this is mainly due to weak housing markets and disappointing construction activity, this shouldn't be interpreted as a sign that California is losing its traditional competitive advantages.

Figure 4

Real GDP Growth

California and Selected States

Average Annual Percentage Change

	Before Recession 1998-2006	Recession & Aftermath 2007-2010	Forecast* 2011-2012
California	4.4%	0.6%	2.9%
Arizona	6.0%	-0.3%	3.1%
Colorado	4.0%	1.9%	3.4%
Florida	4.5%	-1.1%	3.1%
Michigan	0.9%	-2.6%	2.8%
Nevada	5.6%	-1.2%	3.1%
New York	3.0%	-0.1%	2.6%
Oregon	5.0%	0.9%	3.4%
Texas	3.4%	2.4%	4.0%
Utah	3.9%	2.4%	4.0%
Washington	3.0%	2.1%	3.3%

* Source: IHS Global Insight

Select Indicators

	2010	2011				Year-Over
	Jun	Mar	Apr	May	Jun	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	15,923	15,902	15,939	15,947	15,910	-0.1%
Unemployment (000)	2,250	2,176	2,141	2,116	2,134	-5.2%
Unemployment rate	12.4%	12.0%	11.8%	11.7%	11.8%	--
Nonagricultural wage and salary employment (000) a/	13,911.8	14,046.0	14,060.9	14,039.8	14,068.6	1.1%
Goods-producing industries	1,825.4	1,849.8	1,851.6	1,846.2	1,850.0	1.3%
Mining and logging	27.1	27.2	27.1	27.2	27.2	0.4%
Construction	557.2	572.4	571.1	566.1	565.0	1.4%
Manufacturing	1,241.1	1,250.2	1,253.4	1,252.9	1,257.8	1.3%
Service-providing industries	12,086.4	12,196.2	12,209.3	12,193.6	12,218.6	1.1%
Trade, transportation, and utilities	2,620.1	2,645.0	2,652.5	2,649.4	2,638.4	0.7%
Information	428.0	450.6	449.8	452.9	455.9	6.5%
Financial activities	758.6	756.5	753.9	757.4	758.4	0.0%
Professional and business services	2,070.5	2,126.2	2,124.3	2,120.4	2,136.8	3.2%
Educational and health services	1,784.7	1,821.6	1,827.2	1,825.8	1,835.2	2.8%
Leisure and hospitality	1,492.4	1,517.2	1,529.4	1,522.3	1,527.2	2.3%
Other services	486.0	481.6	484.5	480.9	482.2	-0.8%
Government	2,446.1	2,397.5	2,387.7	2,384.5	2,384.5	-2.5%
Federal government	288.2	254.6	248.0	251.1	252.8	-12.3%
State and local government	2,157.9	2,142.9	2,139.7	2,133.4	2,131.7	-1.2%
High-technology industries b/	827.5	826.6	825.7	830.7	836.7	1.1%
Computer and electronic products manufacturing	274.7	280.2	280.2	280.9	282.9	3.0%
Aerospace products and parts manufacturing	69.2	67.9	67.5	67.3	67.5	-2.5%
Software publishers	44.3	45.3	45.7	46.3	46.0	3.8%
Telecommunications	100.5	96.2	95.0	95.4	95.4	-5.1%
Internet service providers, web portals and data processing	19.0	19.9	19.7	19.8	19.8	4.2%
Computer systems design	200.2	197.7	197.3	199.3	201.3	0.5%
Scientific research and development	119.6	119.4	120.3	121.7	123.8	3.5%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.0	40.9	40.7	41.3	41.3	3.3%
Average weekly earnings	\$760.00	\$787.73	\$798.94	\$807.00	\$802.87	5.6%
Average hourly earnings	\$19.00	\$19.26	\$19.63	\$19.54	\$19.44	2.3%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	227.1	NA	234.1	NA	233.3	2.7%
San Francisco CMSA	228.1	NA	234.1	NA	233.6	2.4%
Los Angeles CMSA	225.9	232.2	233.3	233.4	232.3	2.9%
Urban Wage Earners and Clerical Workers Series						
California Average	219.7	NA	228.1	NA	226.7	3.2%
San Francisco CMSA	224.2	NA	231.6	NA	230.6	2.9%
Los Angeles CMSA	218.2	225.8	227.1	226.8	225.5	3.3%
CONSTRUCTION						
Private residential housing units authorized (000) c/	46	45	43	55	49	7.6%
Single units	24	20	23	21	18	-24.5%
Multiple units	21	25	20	35	31	44.1%
Residential building authorized valuation (millions) d/	\$13,468	\$14,685	\$12,227	\$14,716	\$13,496	0.2%
Nonresidential building authorized valuation (millions) d/	\$10,956	\$11,160	\$11,542	\$14,075	\$12,028	9.8%
Nonresidential building authorized valuation (millions) e/	\$12,375	\$12,466	\$12,177	\$13,498	\$13,544	9.4%
Commercial	2,001	1,728	1,518	2,641	2,113	5.6%
Industrial	120	773	252	370	238	98.4%
Other	2,895	1,887	2,006	2,225	2,160	-25.4%
Alterations and additions	7,359	8,079	8,402	8,261	9,032	22.7%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	91,175	111,659	111,162	98,282	90,748	-0.5%
a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).						
b/ Not seasonally adjusted						
c/ Seasonally adjusted at annual rate						
d/ Seasonally adjusted						
e/ Not seasonally adjusted						
NA Not available						

Select Indicators (continued)

OFFICE VACANCY AND INDUSTRIAL AVAILABILITY RATES, SECOND QUARTER 2011									
(Percent)									
		Office Vacancy		Office Vacancy		Office Vacancy		Industrial Availability	
		Downtown		Suburban		Metropolitan			
		2Q11	2Q10	2Q11	2Q10	2Q11	2Q10	2Q11	2Q10
Northern and Central California:									
Oakland East-Bay		14.3	13.9	16.0	17.2	15.3	15.9	NA	NA
Sacramento		16.2	13.7	24.9	24.2	23.1	22.0	16.0	14.9
San Francisco		13.5	16.2	11.8	15.5	12.9	15.9	9.3	10.9
San Jose		25.1	22.3	15.6	19.5	17.0	20.1	15.2	17.4
Walnut Creek		NA	NA	18.3	18.2	18.3	18.2	17.5	13.7
Southern California:									
Inland Empire		NA	NA	23.5	23.8	23.5	23.8	12.2	15.7
Los Angeles Metro		18.1	17.6	17.5	16.7	17.6	16.9	7.4	7.7
Orange County		NA	NA	15.8	18.1	15.8	18.1	8.5	11.2
San Diego		19.1	16.5	16.9	18.7	17.2	18.3	16.2	16.3
Ventura County		NA	NA	23.0	23.1	23.0	23.1	NA	NA
National Average		13.0	13.5	18.0	18.7	16.2	16.8	13.9	14.5
SALES OF EXISTING SINGLE-FAMILY HOMES					FOREIGN TRADE		DOD PRIME CONTRACTS a/		
		Median	Units		Exports	Imports			
		Price	(SAAR)		(\$ millions)		\$ millions	% of U.S.	
2007	Jan	\$551,220	446,820		\$12,325	\$28,025	1993-94	22,573	20.5%
	Feb	554,280	480,170		11,717	26,183	1994-95	18,277	16.8%
	Mar	582,930	422,300		13,954	27,815	1995-96	18,230	16.7%
	Apr	594,110	357,460		12,360	28,049	1996-97	18,477	17.3%
	May	594,530	358,640		13,283	28,734	1997-98	17,401	15.9%
	Jun	591,280	357,890		13,864	29,961	1998-99	17,372	15.1%
	Jul	587,560	341,130		12,837	30,537	1999-00	18,100	14.7%
	Aug	588,670	313,310		13,527	31,206	2000-01	19,939	14.7%
	Sep	535,760	255,340		13,375	30,962	2001-02	23,816	15.0%
	Oct	517,240	254,650		14,511	33,415	2002-03	28,681	15.0%
	Nov	490,511	280,920		13,483	31,767	2003-04	27,875	13.7%
	Dec	480,820	294,520		14,313	29,615	2004-05	31,065	13.1%
2008	Jan	\$427,200	311,160		\$13,016	\$28,280	2005-06	32,126	12.5%
	Feb	418,260	338,970		13,664	27,306	2006-07	36,135	12.2%
	Mar	414,640	319,290		14,868	27,996	2007-08	37,820	10.8%
	Apr	404,470	362,170		14,308	29,907			
	May	384,540	411,770		15,023	30,640			
	Jun	373,100	427,910		15,800	31,269			
	Jul	355,000	494,390		15,992	33,976			
	Aug	352,730	483,400		15,206	31,892			
	Sep	319,310	519,530		14,545	31,994			
	Oct	307,210	557,050		14,485	32,308			
	Nov	287,880	514,240		12,290	26,322			
	Dec	283,060	549,190		11,397	24,082			
2009	Jan	\$249,960	602,660		\$9,640	\$21,730			
	Feb	247,590	620,410		9,987	16,926			
	Mar	249,790	504,200		11,149	20,895			
	Apr	253,110	526,720		10,590	20,822			
	May	263,440	546,490		10,769	21,678			
	Jun	274,640	514,230		11,214	22,725			
	Jul	285,310	555,780		11,371	23,893			
	Aug	293,400	526,110		11,738	24,327			
	Sep	296,610	531,180		11,684	25,986			
	Oct	297,500	560,390		12,794	27,136			
	Nov	304,520	536,720		12,573	25,114			
	Dec	306,820	558,320		13,707	25,292			
2010	Jan	\$284,600	532,870		\$11,973	\$22,934			
	Feb	278,190	518,390		12,806	22,869			
	Mar	300,900	506,493		14,366	24,904			
	Apr	307,000	476,029		13,651	25,814			
	May	327,460	552,800		14,272	26,957			
	Jun	313,890	495,780		14,194	30,808			
	Jul	314,850	439,617		13,875	29,709			
	Aug	318,660	449,290		14,028	31,878			
	Sep	309,720	466,930		13,738	30,582			
	Oct	304,220	449,480		14,968	29,851			
	Nov	296,690	491,590		14,527	31,003			
	Dec	305,020	520,080		16,190	28,404			
2011	Jan	\$279,140	547,080		\$14,372	\$27,307			
	Feb	271,320	498,632		14,484	25,893			
	Mar	286,510	514,758		16,834	29,068			
	Apr	293,800	499,830		15,924	28,358			
	May	292,420	471,840		15,856	30,910			
	Jun	295,300	477,710		NA	NA			
a/ U.S. fiscal year: October through September					NA Not available				

Leading Indicators ^{a/}

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2007	Jan	4.2	40.4	42,200	9,463	151.0
	Feb	3.9	40.4	43,601	8,822	132.1
	Mar	3.9	40.4	43,447	8,527	144.4
	Apr	3.8	40.6	43,338	8,337	124.6
	May	4.0	40.6	45,465	8,678	117.7
	Jun	4.1	40.7	45,358	8,781	99.5
	Jul	4.1	40.8	44,792	8,522	110.4
	Aug	4.0	40.8	45,696	9,368	123.2
	Sep	4.0	40.8	46,294	8,434	88.2
	Oct	4.0	40.5	48,977	8,827	99.1
	Nov	3.9	40.6	48,665	8,946	77.5
	Dec	3.8	40.4	49,200	8,538	86.4
2008	Jan	3.8	40.2	49,610	8,359	73.6
	Feb	4.0	41.0	48,348	8,798	84.6
	Mar	4.0	41.1	50,005	7,393	54.3
	Apr	4.2	41.5	52,378	8,511	73.2
	May	3.8	40.9	53,044	8,422	81.1
	Jun	3.8	40.9	54,343	7,851	71.1
	Jul	3.9	40.7	59,197	7,832	62.3
	Aug	3.8	40.4	62,450	6,979	55.5
	Sep	3.7	40.5	61,743	7,705	56.5
	Oct	3.7	40.5	66,490	7,244	52.2
	Nov	3.3	40.4	72,966	5,934	74.3
	Dec	3.4	40.1	74,430	7,216	45.6
2009	Jan	3.0	39.7	77,824	7,148	33.7
	Feb	2.9	37.9	81,759	7,362	32.6
	Mar	2.9	39.2	79,727	6,316	37.9
	Apr	2.8	38.7	77,793	7,154	39.1
	May	2.9	39.0	76,935	6,838	33.8
	Jun	3.0	39.1	81,101	6,715	32.9
	Jul	2.9	39.2	81,768	6,817	33.2
	Aug	3.2	39.6	80,384	6,139	37.4
	Sep	3.2	39.4	84,781	6,442	38.2
	Oct	3.2	39.6	81,824	6,344	38.7
	Nov	3.5	40.2	75,437	6,391	41.5
	Dec	3.4	39.9	74,974	5,715	38.0
2010	Jan	3.9	39.8	85,171	5,615	55.0
	Feb	3.6	39.7	77,567	5,790	47.1
	Mar	3.7	39.9	82,574	7,528	39.0
	Apr	3.9	40.3	85,745	5,247	37.6
	May	3.9	40.3	85,760	5,739	38.8
	Jun	3.8	40.0	84,761	3,986	45.7
	Jul	3.7	40.1	83,369	9,591	45.8
	Aug	3.8	40.0	81,798	6,685	41.2
	Sep	3.6	39.9	86,285	6,086	38.7
	Oct	4.0	40.0	75,888	6,264	33.8
	Nov	4.3	40.1	73,131	6,000	47.2
	Dec	4.4	40.4	82,398	6,502	65.2
2011	Jan	4.5	40.9	72,110	5,227	52.4
	Feb	4.5	41.2	72,832	5,760	33.0
	Mar	4.3	41.2	72,860	7,647	44.8
	Apr	4.3	41.1	70,948	6,817	43.3
	May	4.3	41.3	72,743	5,998	55.3
	Jun	4.1	41.3	79,353	6,710	49.2

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators ^{a/}

		Nonagricultural Employment	Manufacturing Employment	Unemployment Rate	Unemployment Avg. Weeks Claimed
		(Thousands)	(Thousands)	(Percent)	(Thousands)
2007	Jan	15,135	1,476	4.9	361
	Feb	15,161	1,476	5.0	367
	Mar	15,197	1,475	5.0	343
	Apr	15,137	1,468	5.1	358
	May	15,160	1,465	5.2	365
	Jun	15,173	1,468	5.3	357
	Jul	15,214	1,469	5.4	371
	Aug	15,196	1,462	5.5	368
	Sep	15,189	1,456	5.6	388
	Oct	15,169	1,454	5.7	401
	Nov	15,180	1,452	5.7	383
	Dec	15,191	1,450	5.8	425
2008	Jan	15,137	1,449	5.9	427
	Feb	15,151	1,448	6.0	423
	Mar	15,134	1,445	6.1	445
	Apr	15,123	1,442	6.4	477
	May	15,086	1,438	6.6	452
	Jun	15,058	1,434	6.9	466
	Jul	15,017	1,432	7.3	490
	Aug	14,969	1,425	7.5	506
	Sep	14,930	1,418	7.8	536
	Oct	14,829	1,405	8.2	561
	Nov	14,727	1,390	8.6	558
	Dec	14,655	1,378	9.1	654
2009	Jan	14,529	1,357	9.7	659
	Feb	14,403	1,337	10.1	718
	Mar	14,307	1,319	10.6	767
	Apr	14,200	1,303	10.9	786
	May	14,147	1,292	11.2	822
	Jun	14,067	1,278	11.5	823
	Jul	13,937	1,264	11.7	824
	Aug	13,898	1,256	11.9	845
	Sep	13,851	1,249	12.0	821
	Oct	13,908	1,247	12.1	785
	Nov	13,893	1,243	12.2	783
	Dec	13,876	1,241	12.2	724
2010	Jan	13,869	1,242	12.3	693
	Feb	13,860	1,241	12.4	685
	Mar	13,861	1,242	12.4	694
	Apr	13,911	1,245	12.4	663
	May	13,944	1,244	12.4	668
	Jun	13,912	1,241	12.4	664
	Jul	13,885	1,243	12.4	645
	Aug	13,886	1,242	12.4	650
	Sep	13,848	1,237	12.5	641
	Oct	13,913	1,242	12.5	637
	Nov	13,937	1,244	12.5	612
	Dec	13,959	1,245	12.5	570
2011	Jan	13,976	1,247	12.4	609
	Feb	14,061	1,250	12.1	585
	Mar	14,046	1,250	12.0	537
	Apr	14,061	1,253	11.8	539
	May	14,040	1,253	11.7	531
	Jun	14,069	1,258	11.8	536
		Personal Income b/ (\$ millions)	Wages & Salaries b/ (\$ millions)	Taxable Sales c/ (\$ millions)	
2007	Qtr I	\$1,543,703	\$827,863	\$143,287	
	Qtr II	1,560,081	833,551	140,605	
	Qtr III	1,567,894	836,499	137,484	
	Qtr IV	1,593,923	851,862	139,987	
2008	Qtr I	\$1,594,422	\$850,562	\$138,076	
	Qtr II	1,615,087	852,179	137,257	
	Qtr III	1,615,164	849,938	133,664	
	Qtr IV	1,591,946	830,789	123,338	
2009	Qtr I	\$1,566,138	\$808,227	\$115,784	
	Qtr II	1,569,085	804,362	111,080	
	Qtr III	1,561,650	796,289	113,606	
	Qtr IV	1,571,124	799,957	116,176	
2010	Qtr I	\$1,593,291	\$808,584	\$117,261	
	Qtr II	1,608,626	815,515	116,681	
	Qtr III	1,613,836	820,328	118,972	
	Qtr IV	1,642,453	838,244	125,017	
2011	Qtr I	\$1,665,484	\$840,982	\$127,244	

a/ Seasonally adjusted.

b/ Estimates by the U.S. Bureau of Economic Analysis.

c/ Taxable sales estimates for 2010:QII QIII QIV and 2011:QI are preliminary.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

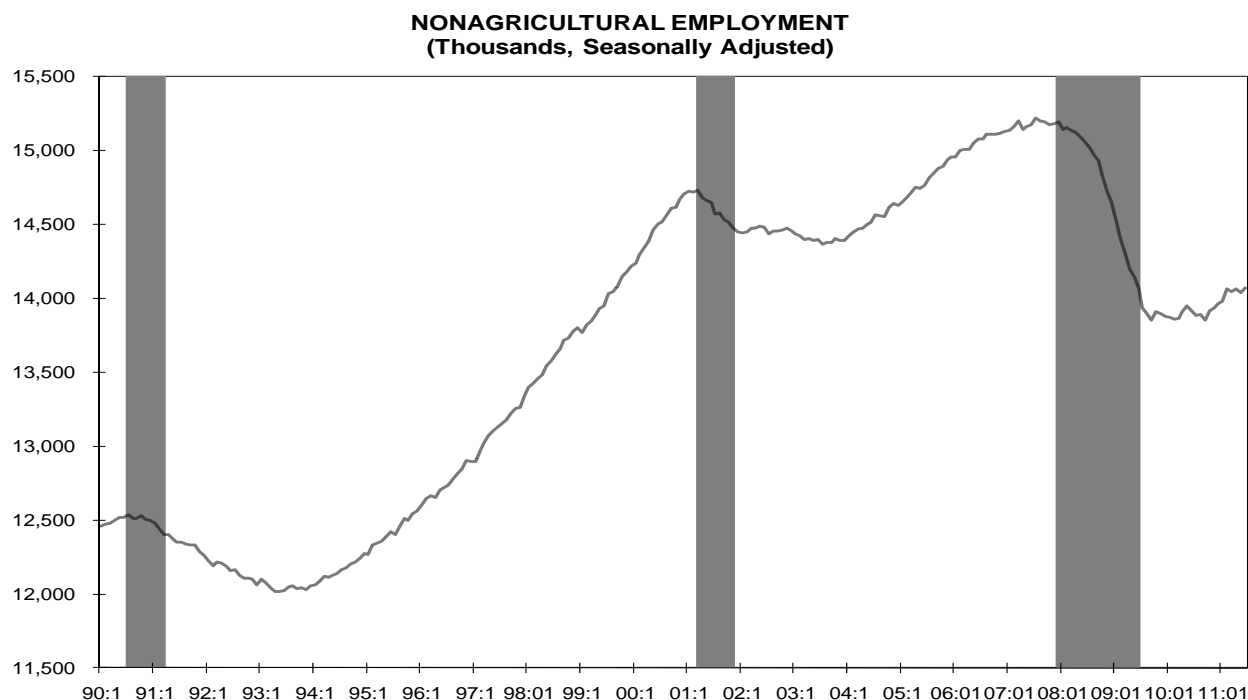
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

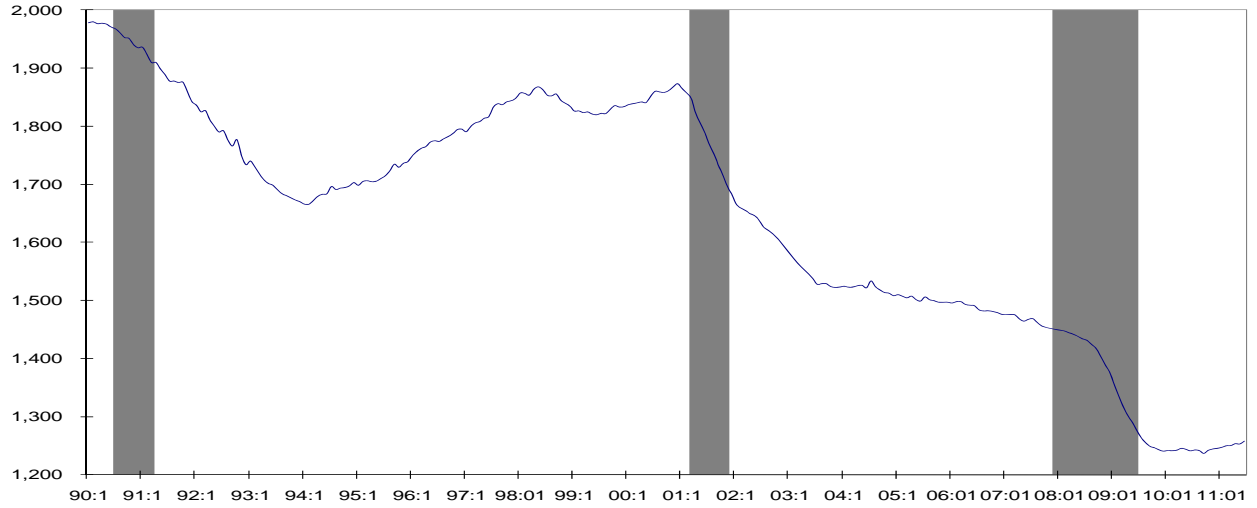
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

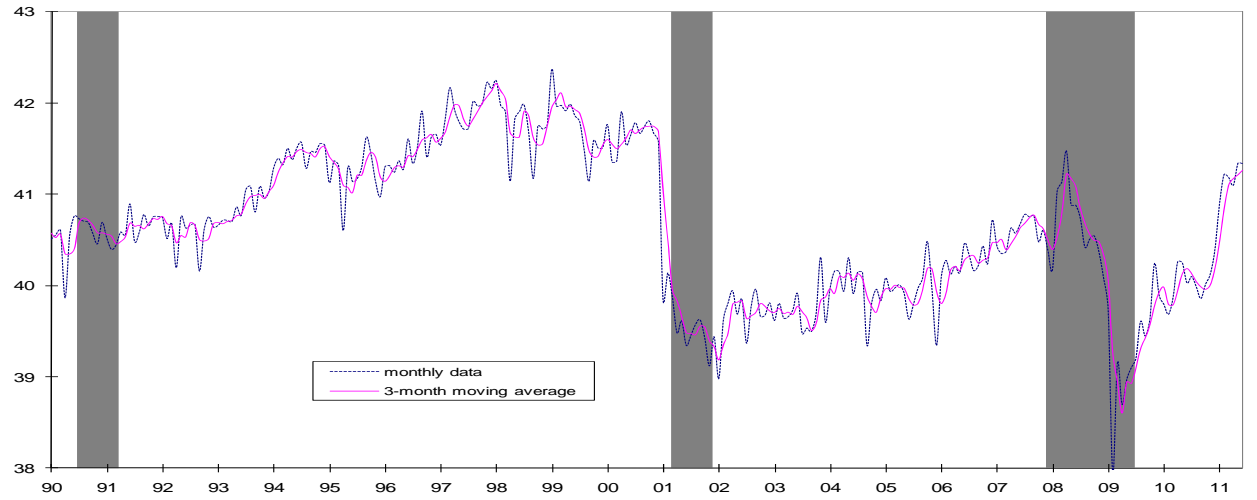
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



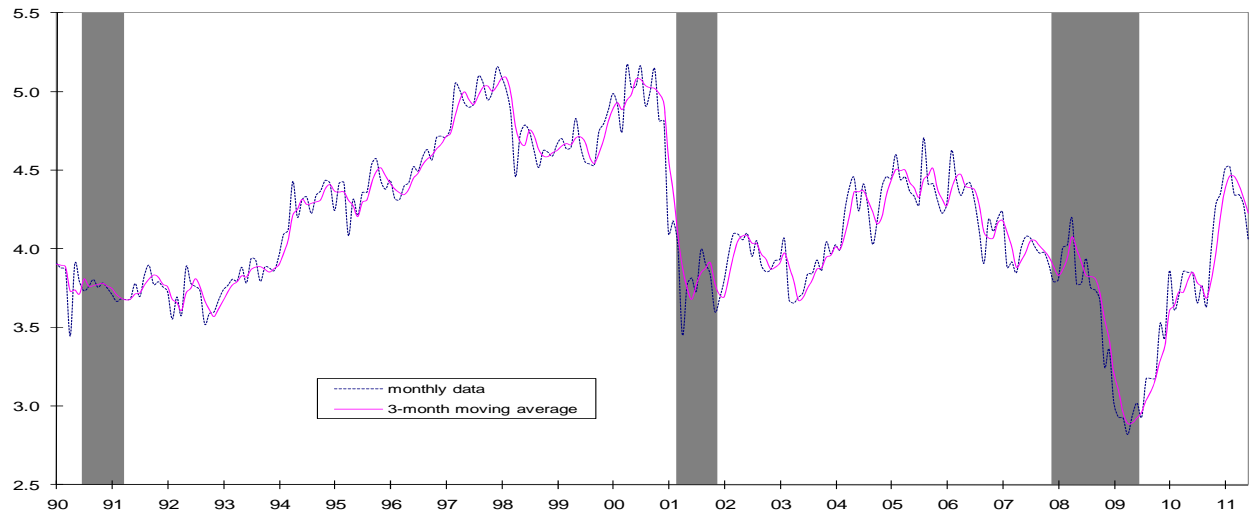
**MANUFACTURING EMPLOYMENT
(Thousands, Seasonally Adjusted)**

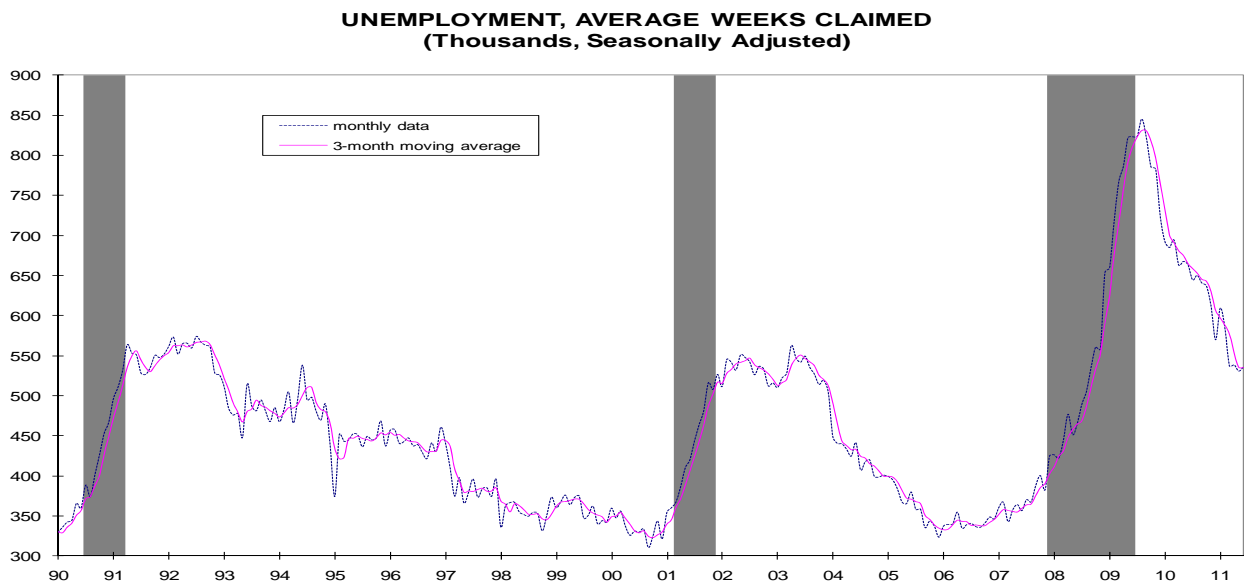
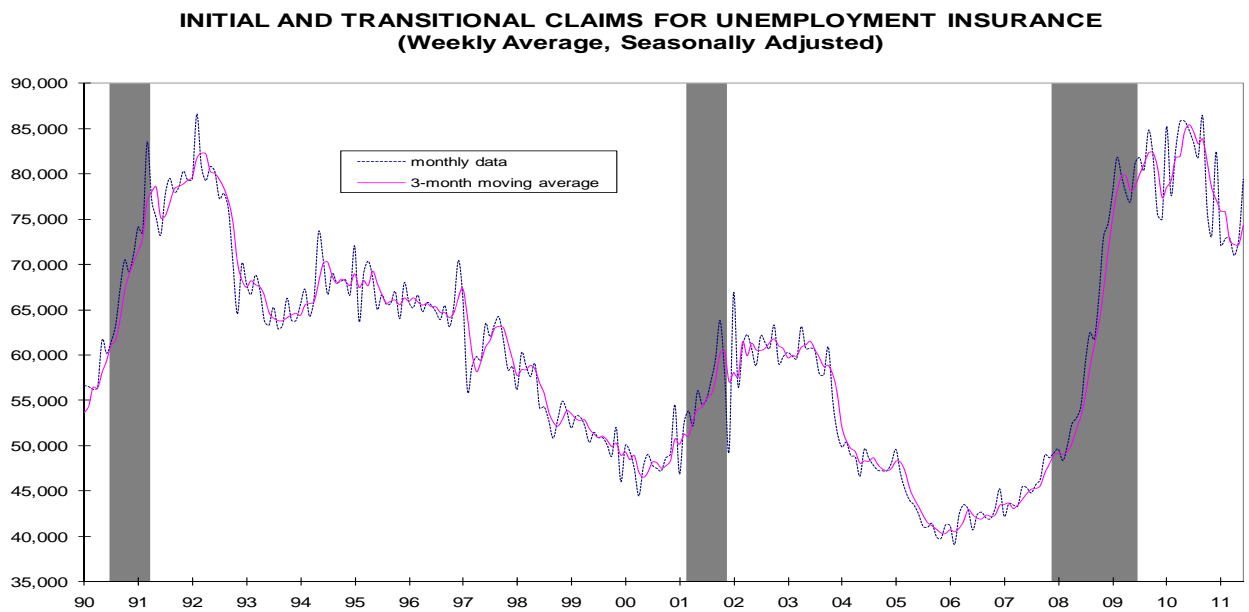


**AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)**

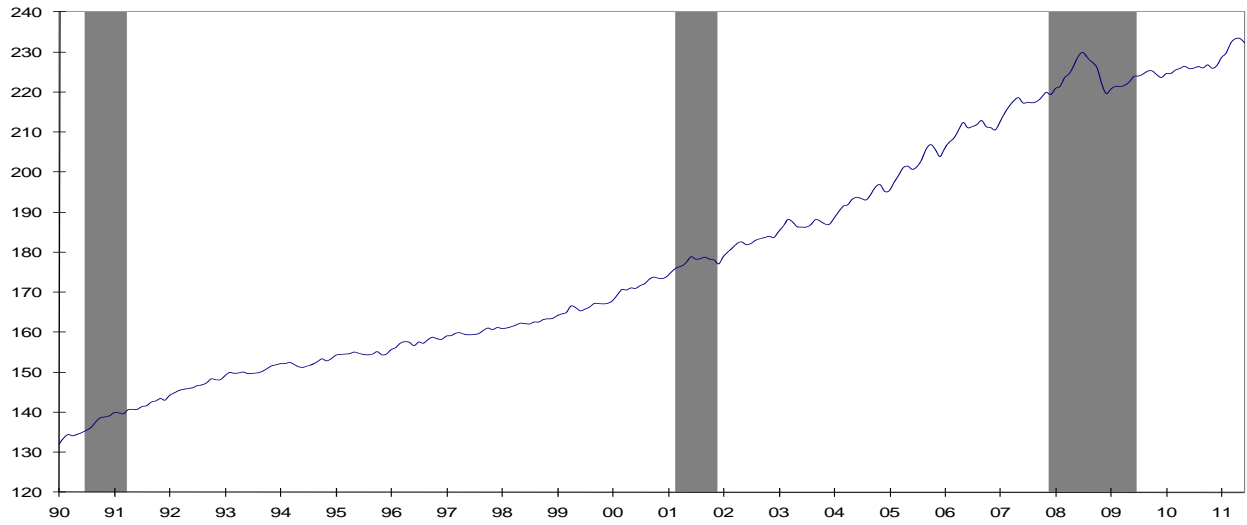


**AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)**

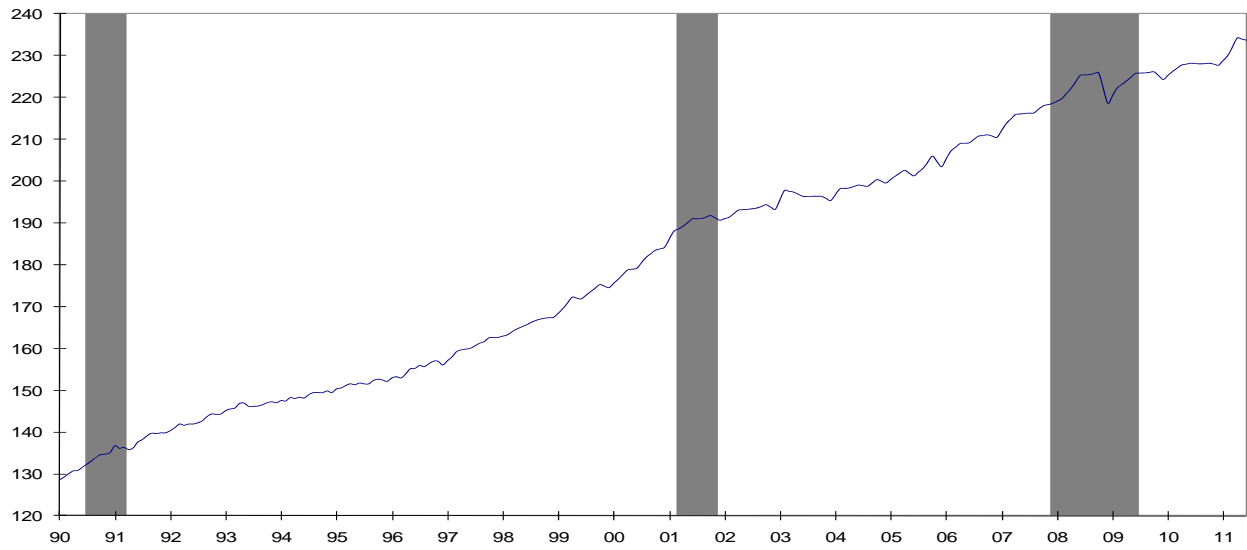




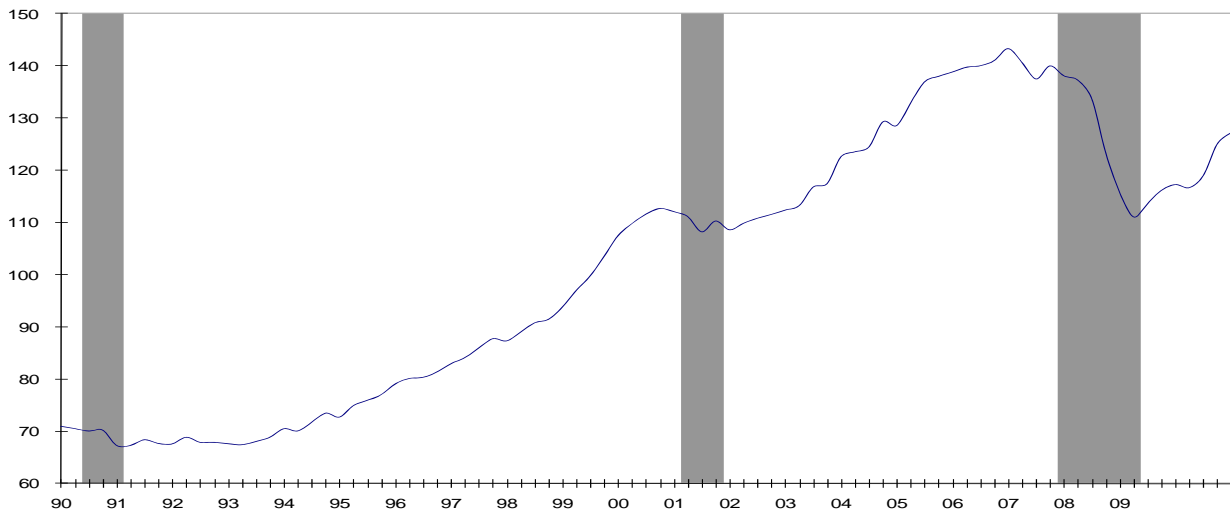
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



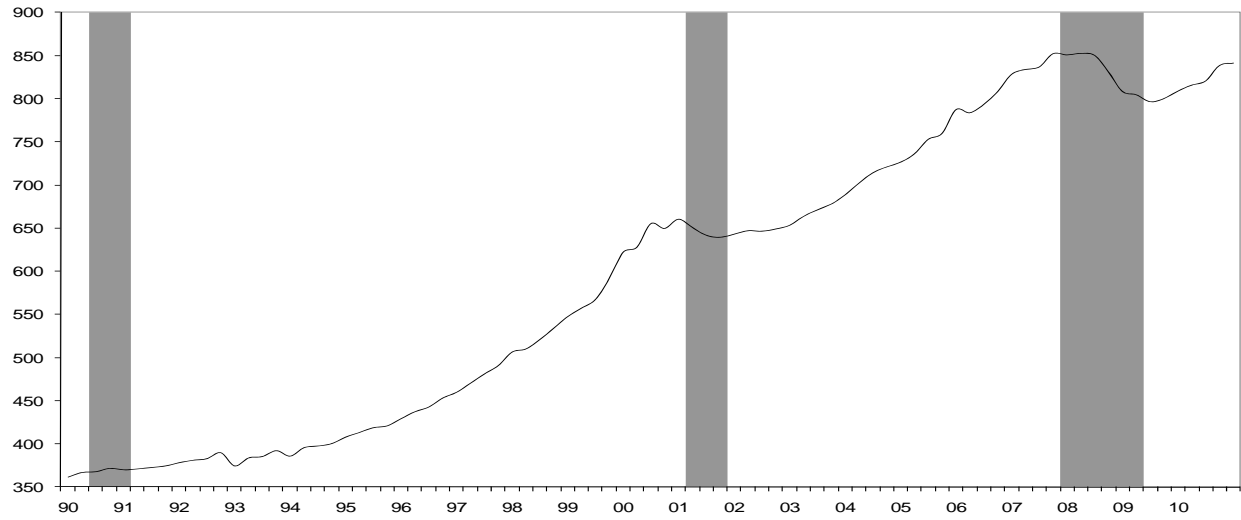
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



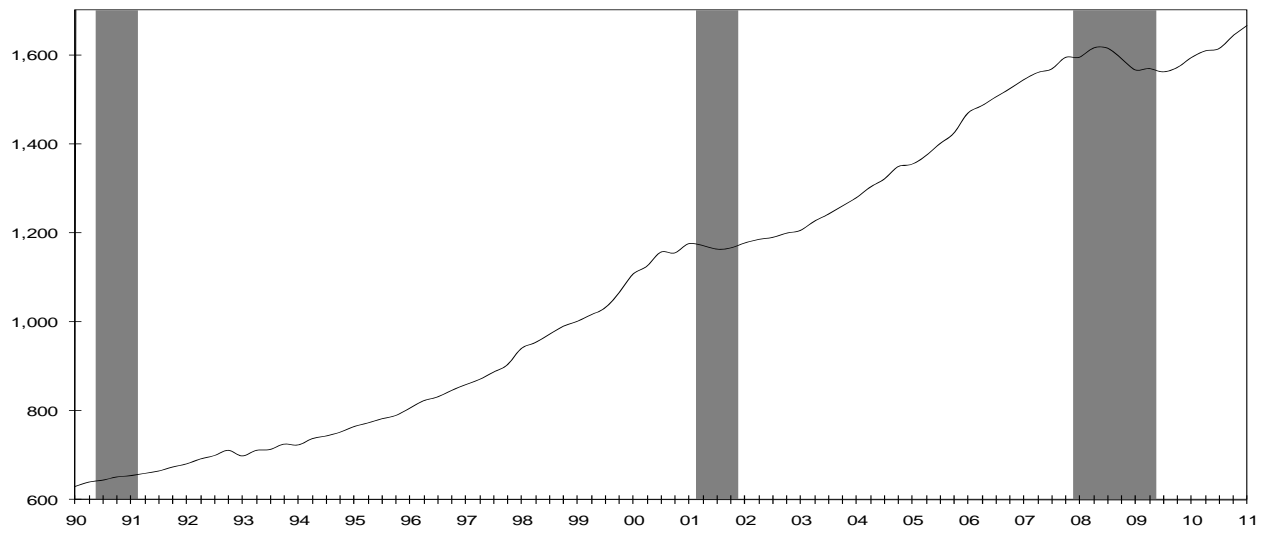
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



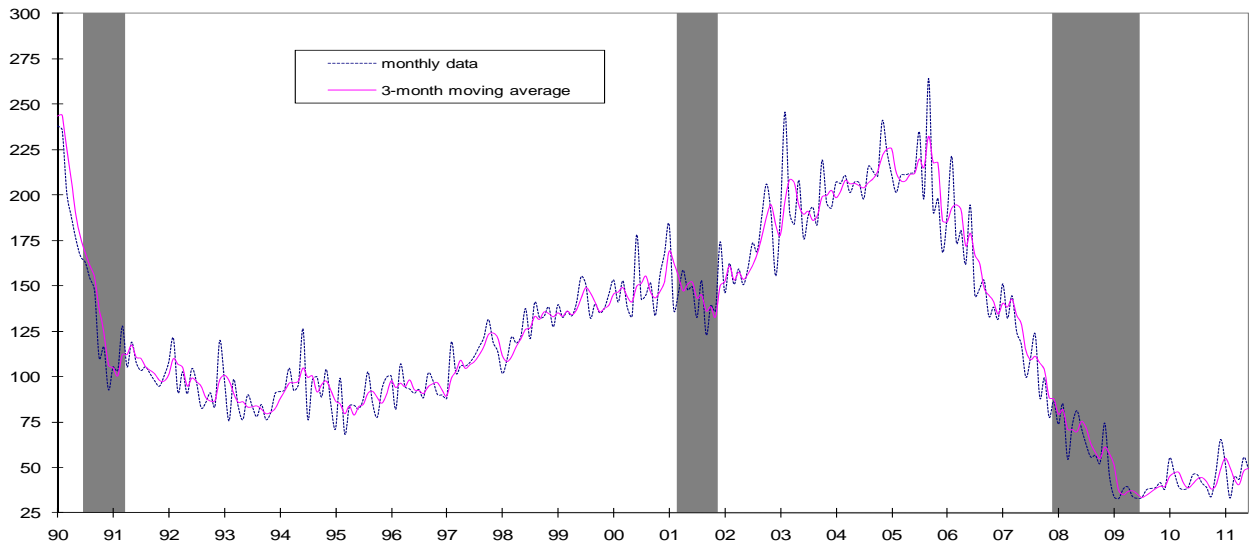
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



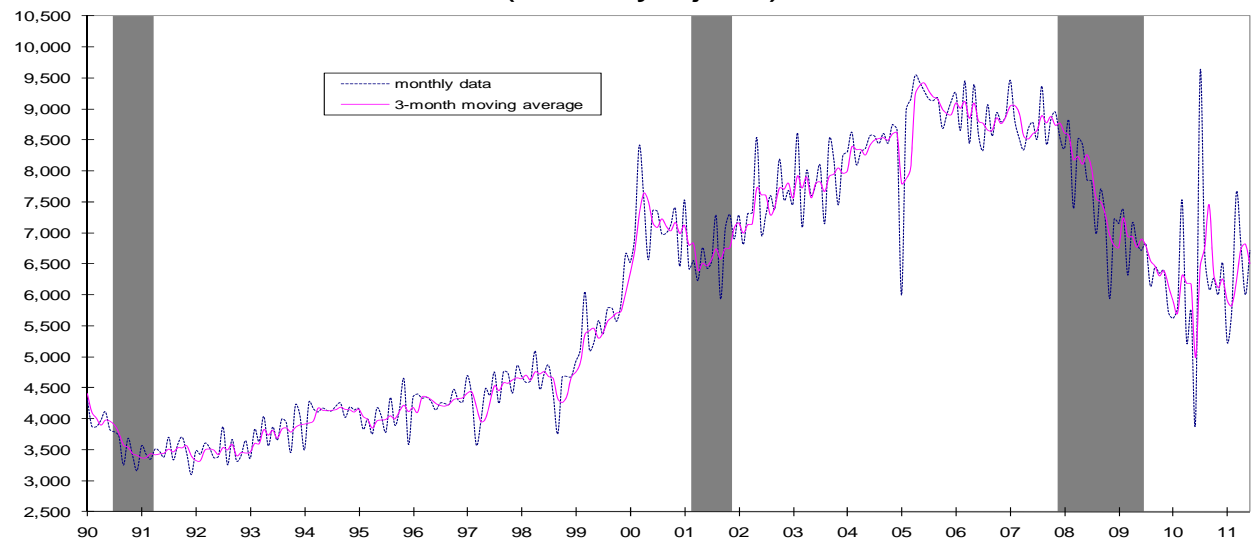
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION
(Dollars In Millions, Seasonally Adjusted At Annual Rate)



NEW BUSINESS INCORPORATIONS
(Seasonally Adjusted)



REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-

<u>Initial Trough</u>		<u>Peak</u>		<u>Terminal Trough</u>		<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128
Nov.	2001	Dec.	2007	June	2009	73	18	91

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

---2007---

January 1	California minimum wage increased to \$7.50 per hour from \$6.75.
January 11	Vietnam becomes WTO member.
Mid-January	Freezing temperatures in California caused some \$1.3 billion in crop losses.
January 25-26	Sales of both new and existing homes in the U.S. suffered sharp declines last year. The plunge in new home sales was the biggest drop since 1990 and sales of existing homes saw its biggest decline since 1989.
February	Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
February 21	Rising default rates hitting subprime mortgage industry hard.
February 27	Dow Jones industrial average down 416 points, biggest one-day point loss since 2001, after declining markets in China and Europe and a steep drop in durable goods orders triggered a massive sell-off on Wall Street.
February 28	GDP grew at a 2.2 percent pace in the 4 th quarter –a considerably weaker rate than what the government first estimated.
March 2	The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
March 14	President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
March 29	Fourth quarter GDP revised upwards to 2.5 percent.
April 16	The number of default notices sent to California homeowners last quarter increased to its highest level in almost ten years, the result of flat appreciation, slow sales, and post teaser-rate mortgage resets.
April 25	Dow Jones Industrials close above 13,000 for the first time.
April 27	First quarter GDP increased at an annual rate of 1.3 percent.
May 3	S&P 500 closed above 1,500 for the first time in more than six years. Dow Jones Industrials surged to a record high for the sixth time in seven sessions.

May 4	US payroll job growth slowest since 2004. The Dow Jones industrial average hit another record high making this the longest bull run in 80 years.
May 31	First quarter GDP increased at an annual rate of 0.6 percent. That's down from its initial estimate of 1.3 percent growth.
July 24	Federal minimum wage increased to \$5.85 from \$5.15 per hour.
July 26	The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
August 2	Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
August 9	The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
August 10	The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
August 17	The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
August 23	Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
August 24	California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
August 28	The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
August 30	Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
September 10	Blasts rip Mexico gas and oil pipelines.
September 18	Federal funds rate target reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires.
October 31	Federal funds rate target reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.

November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

---2008---

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 21-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.
March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.

March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent. First quarter GDP increased at an annual rate of 0.6 percent.
July 6	Extended unemployment insurance benefits begin.
July 11	IndyMac Bank seized by federal regulators.
July 30	President Bush signs housing rescue law.
August 8	Georgia-Russia conflict escalates.
August 28	Second quarter GDP increased at an annual rate of 3.3 percent.
September 1	Hurricane Gustav strikes land west of New Orleans.
September 7	The U.S. government takes over Fannie Mae and Freddie Mac.
September 13	Hurricane Ike hits Texas.
September 14	Merrill Lynch sold to Bank of America.
September 15	Lehman Brothers files for bankruptcy protection.
September 17	The Federal Reserve loans \$85 billion to American International Group (AIG).
September 19	Treasury to provide temporary guarantees for money market mutual funds.
September 23	Governor Schwarzenegger signs record-late state budget.
September 25	Washington Mutual was seized by the FDIC, and its banking assets were sold to JP MorganChase.
September 26	Second quarter GDP increased at an annual rate of 2.8 percent.
September 29	Citigroup buys banking operations of Wachovia.
October 1	Financial crisis spreads to Europe.

October 3	The Emergency Economic Stabilization Act (commonly referred to as a bailout of the U.S. financial system) became law. Wells Fargo to merge with Wachovia.
October 6 - 10	Worst week for the stock market in 75 years.
October 6	Fed provides \$900 billion in short-term cash loans to banks.
October 7	Fed makes emergency move to lend around \$1.3 trillion directly to companies.
October 8	Federal funds rate target reduced from 2 percent to 1.5 percent. The discount rate was cut to 1.75 percent.
October 11	The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history.
October 12	European leaders announce recapitalization plans for Europe's banks.
October 24	OPEC to cut oil output by 1.5 million barrels a day.
October 29	Federal funds rate target reduced from 1.5 percent to 1 percent.
October 30	Third quarter GDP declines 0.3 percent.
November 3	Boeing machinists' 57-day strike ends.
November 15-	Wildfires burn five Southern California counties.
November 17	Japan is officially in recession.
November 24	The federal government approves plan to help Citigroup.
December 1	Recession in the US began in December 2007, according to NBER.
December 16	The Federal Reserve cut the federal funds rate target to a range of between zero percent and 0.25 percent.
December 17	OPEC to cut oil production starting January in a bid to prop up falling oil prices.
December 19	U.S. auto industry bailout approved.
December 23	Third quarter GDP decreased at an annual rate of 0.5 percent.

---2009---

January 20	Barack Obama inaugurated as the 44th President of the U.S.
January 23	British economy is officially in recession.
February 3	S&P lowered California's bond rating to A from A+.
February 17	President Obama signed the \$787 billion economic stimulus package into law. The "American Recovery and Reinvestment Act of 2009" includes a variety of spending measures and tax cuts intended to promote economic recovery.

February 18	President Obama unveiled the Homeowner Affordability and Stability Plan.
February 20	California Governor Arnold Schwarzenegger signs the 2009-10 state budget bill.
February 27	Fourth quarter GDP decreased at an annual rate of 6.2 percent.
March 2	Dow Jones Industrial Average drops below 7000 for the first time since 1997.
March 19	Moody's lowered California's bond rating from A1 to A2. Fitch lowered California's bond rating from A+ to A.
March 23	U.S. Treasury Secretary unveils the Public-Private Investment Program.
April 23	California adopts low carbon fuel standards.
April 26	Swine Flu declared public health emergency.
April 29	First quarter GDP decreased at annual rate of 6.1 percent.
April 30	Chrysler files for bankruptcy.
May 7	Governor Schwarzenegger proclaims state of emergency in Santa Barbara due to Jesusita wildfire.
June 1	General Motors files for bankruptcy.
June 10	Fiat completes acquisition of Chrysler assets.
June 25	First quarter GDP decreased at annual rate of 5.5 percent.
July 6	Fitch Ratings downgraded California's long-term bond rating from A- to BBB. Moody's lowered the State's rating from A2 to Baa1.
July 24	Dow closes above 9000; first time since January. Federal minimum wage jumps from \$6.55 an hour to \$7.25 an hour.
July 28	Case-Shiller index shows first rise in U.S. housing prices for 3 years.
August 24	Cash-for-Clunkers program ends.
August 27	Second quarter GDP fell 1 percent, unchanged from the advance estimate in July and following a 6.4% drop in Q1.
October 14	Dow closes above 10,000 for the first time in a year.
October 29	Third quarter GDP increased at an annual rate of 3.5 percent.
November 6	Jobless benefit extended. Homebuyer tax credit extended and expanded.
December 22	Third quarter GDP annual growth rate is 2.2%, per final estimate.

December 31 Down 25 percent at its March 9, 2009 nadir, the Dow Jones industrial average rose 59 percent, and finished the year up 19 percent. The Nasdaq increased 79 percent and ended 2009 up 44 percent. The S&P 500 rose 65 percent, finishing the year up 23 percent.

---2010---

January 13 S&P lowered California's bond rating to A- from A.

January 28 The Senate confirmed Federal Reserve Chairman Ben Bernanke's second term.

February 18 The Federal Reserve raised the discount rate charged to banks for direct loans by a quarter point to 0.75 percent.

February 26 Fourth quarter GDP increased at an annual rate of 5.9 percent.

February 27 Chile earthquake

March 23 Obama signs landmark health care overhaul bill.

April 2- BP massive oil spill in the Gulf of Mexico.

April 14-20 Ash clouds from an Icelandic volcano shut down airports across Europe.

April 15 Obama signs extension of jobless benefits.

April 30 First quarter GDP increased at an annual rate of 3.2 percent.

May 27 Revised first quarter GDP increased at an annual rate of 3.0 percent.

July 21 The Wall Street Reform and Consumer Protection Act was signed into law by President Obama.

July 22 President Obama signed a six-month extension of emergency jobless benefits for the long-term unemployed.

July 30 Second quarter GDP increased at an annual rate of 2.4 percent. In the first quarter, GDP increased 3.7 percent.

September 16 US poverty rate jumped to 14.3% in 2009, its highest level since 1994, and the 43.6 million Americans in need is the highest number in 51 years of record-keeping, according to the Census Bureau.

September 20 The US recession ended in June 2009, according to the NBER.

 Californians' income falls for the first time since WWII.

September 30 Second quarter GDP increased at an annual rate of 1.7 percent. In the first quarter, GDP increased 3.7 percent.

October 15 In 2011, for the second straight year, there will be no inflation-based increase in Social Security benefits.

- November 3 The Federal Reserve announced a second round of quantitative easing through the purchase of \$600 billion in long term Treasury bonds.
- December 17 President Obama signed into law an extension of the existing federal income tax cuts and long-term unemployment benefits. The bill also includes a 2% rollback of Social Security payroll taxes.
- December 22 Third quarter GDP increased at an annual rate of 2.6 percent. In the second quarter, GDP increased 1.7 percent

---2011---

- January-February Commodity prices soaring.
Uprisings in the Middle East.
- February 25 Fourth quarter real GDP increased at an annual rate of 2.8 percent. In the third quarter, real GDP increased 2.6 percent.
- March 11 Powerful earthquake and tsunami devastate Northern Japan.
- March 19 U.S. joins airstrikes in Libya.
- March 25 Fourth quarter real GDP increased at an annual rate of 3.1 percent. In the third quarter, real GDP increased 2.6 percent.
- April 27 Tornadoes ravage the South.
- May 1 Osama bin Laden has been killed.
- May 26 First quarter real GDP increased at an annual rate of 1.8 percent. In the fourth quarter, real GDP increased 3.1 percent.
- July 11 Debt problems in Europe and U.S. weigh on U.S. stocks.
- July 15 Monthly inflation retreats on lower gas prices.
- July 29 Real GDP rose by 1.3 percent in Q2. Downward adjustments to the prior 3 quarters were made. Benchmark revision revealed a deeper recession than previously reported.
- August 2 Obama signs debt ceiling bill.
- August 4 Wall Street suffers worst selloff in two years.
- August 5 S&P downgrades U.S. credit rating.